

CHEROKEE COUNTY  
BASIC FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

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## CHEROKEE COUNTY

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Bush	Board of Supervisors	Jan. 2021
Rick Mongan	Board of Supervisors	Jan. 2021
Duane Mummert	Board of Supervisors	Jan. 2021
Gary Lundquist	Board of Supervisors	Jan. 2023
Wane Miller	Board of Supervisors	Jan. 2023
Kris Glienke	County Auditor	Jan. 2021
Roswitha (Hedgie) Brandt	County Treasurer	Jan. 2023
Samantha Boothby	County Recorder	Nov. 2020
Jerod Clyde	County Sheriff	Jan. 2021
Ryan Kolpin	County Attorney	Jan. 2023
Gregory Zarr	County Assessor	Jan. 2022



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## INDEPENDENT AUDITORS' REPORT

To the Officials of Cherokee County:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherokee County, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Cherokee County as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As discussed in Note 19 to the financial statements, Cherokee County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions, and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and notes on pages 6 through 13 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherokee County's basic financial statements. The financial statements for the nine years ended June 30, 2019 (which are not presented herein) were audited in accordance with the standards referred to in the third paragraph of this report by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021 on our consideration of Cherokee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County's internal control over financial reporting and compliance.

Winther, Stave & Co., LLP

January 19, 2021  
Spencer, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Cherokee County provides this Management's Discussion and Analysis of its financial statements. This report contains an overview and analysis of the financial activities for the fiscal year ended June 30, 2020. The following information should be considered in relation to the County's financial statements included in this report.

### **2020 FINANCIAL HIGHLIGHTS**

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities, during fiscal year 2020. The beginning net position for fiduciary (custodial) funds was restated by \$717,873 to retroactively report fiduciary funds in accordance with the GASBS.
- Cherokee County's governmental activities revenues decreased approximately \$2,679,000 or 16.0% from fiscal year 2019 to fiscal year 2020. Property taxes and other county tax increased \$585,000 or 8.8%.
- Cherokee County's overall governmental activities expenses increased approximately \$915,000 or 7.0% from fiscal year 2019 to fiscal year 2020. The breakdown by service areas include: public safety and legal services remained constant; physical health and social services increased about \$40,000 or 13.8%; mental health expenditures increased by approximately \$74,000 or 19.8%; county environment and education increased by approximately \$140,000 or 14.5%; roads and transportation increased by approximately \$233,000 or 3.3%; governmental services to residents increased approximately \$49,000 or 9.2%; administration increased approximately \$152,000 or 11.7%, and non-program increased approximately \$227,000 or 324.7%.
- Cherokee County's net position increased .5%, or approximately \$223,203, from June 30, 2019 to June 30, 2020.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Cherokee County as a whole, and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cherokee County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Cherokee County acts solely as an agent or custodian for the benefit of those outside of County government (Custodial Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.
- Supplementary Information provides detailed information about the nonmajor governmental and the individual Custodial Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

Accounting methods similar to those used in private-sector businesses are used in preparing the County-wide financial statements. The information contained in these reports helps the public to understand if Cherokee County's financial position is better or worse after the fiscal year has ended.

The Statement of Net Position presents financial information on all of Cherokee County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position will indicate if the financial position of the County is improving or deteriorating.

The Statement of Activities includes all of the current year's revenues and expenses. All changes in net position are reported as soon as the change occurs, regardless of when the cash was received or paid. Therefore, revenues and expenditures for some items will be reported in this statement and their resulting cash flows will be reported in future fiscal reports.

Cherokee County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The Fund Financial Statements provide more detailed data about Cherokee County's funds. Funds are used to keep track of sources of funding and spending on particular programs. Most "major" funds are required by state law while the County establishes other funds to control and manage money for specific purposes or to show that it is properly using certain revenues such as federal grants.

Cherokee County has three categories of funds:

1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Cherokee County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

2) A proprietary fund accounts for the County's Internal Service, Employee Group Health Insurance Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others, which cannot be used to support Cherokee County's own programs.

The required financial statements for fiduciary funds are a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.



## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Cherokee County's combined net position was \$43,865,288 for fiscal year 2020. This reflects a \$223,203 (.5%) increase over fiscal year 2019 net position of \$43,642,085. The analysis that follows focuses on the changes in the net position for governmental activities.

<b>Net Position of Cherokee County's Governmental Activities</b>		
	June 30,	
	2020	2019
Current and other assets	\$ 23,763,785	\$ 22,436,383
Capital assets	<u>31,985,788</u>	<u>32,867,649</u>
Total assets	<u>55,749,573</u>	<u>55,304,032</u>
Deferred outflows of resources	<u>869,218</u>	<u>921,337</u>
Long-term liabilities	4,744,537	5,207,406
Other liabilities	<u>1,105,995</u>	<u>502,464</u>
Total liabilities	<u>5,850,532</u>	<u>5,709,870</u>
Deferred inflows of resources	<u>6,902,971</u>	<u>6,873,414</u>
Net position		
Net investment in capital assets	31,985,788	32,867,649
Restricted	10,766,482	10,066,295
Unrestricted	<u>1,113,018</u>	<u>708,141</u>
Total net position, as restated	<u>\$ 43,865,288</u>	<u>\$ 43,642,085</u>

Net position of Cherokee County's governmental activities increased by \$223,203 compared to fiscal year 2019. The largest portion of Cherokee County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment). Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, are reported at \$1,113,018 as of June 30, 2020.

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**Changes in Net Position of Cherokee County's Governmental Activities**

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	Year Ended June 30,	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,133,786	\$ 931,858
Operating grants, contributions, and restricted interest	4,507,481	4,222,324
Capital grants, contributions, and restricted interest	493,774	4,010,506
General revenues:		
Property tax	6,648,898	6,075,488
Penalty and interest on property tax	15,424	33,176
State tax credits	417,284	422,714
Local option sales tax	575,589	563,668
Grants and contributions not restricted to specific purposes	71,902	111,799
Unrestricted investment earnings	181,838	169,585
Other general revenues	21,496	205,710
Total revenues	<u>14,067,472</u>	<u>16,746,828</u>
Program expenses:		
Public safety and legal services	2,434,906	2,434,617
Physical health and social services	329,958	290,019
Mental health	449,117	375,037
County environment and education	1,103,372	963,305
Roads and transportation	7,200,106	6,967,500
Governmental services to residents	580,032	531,082
Administration	1,450,048	1,298,069
Non-Program	296,730	69,862
Total expenses	<u>13,844,269</u>	<u>12,929,491</u>
Increase in net position	223,203	3,817,337
Net position beginning of year, as restated	<u>43,642,085</u>	<u>39,824,748</u>
Net position end of year	<u>\$ 43,865,288</u>	<u>\$ 43,642,085</u>

Cherokee County maintained the prior levy rate in the General Fund, decreased the General Supplemental by 9.7 cents, decreased the Mental Health levy by 11 cents, and decreased the Rural Services levy by 5 cents. This decision resulted in an increase of \$538,961 in property tax revenue after an 11.8 percent increase in taxable valuations.

The cost of all governmental activities this year was approximately \$13.8 million compared to approximately \$12.9 million last year. However, as shown in the Statement of Activities on page 15, the amount taxpayers ultimately financed for these activities was approximately \$7.7 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,134,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2020 from approximately \$9.2 million to approximately \$6.1 million.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Cherokee County completed the year, its governmental funds reported a combined fund balance of approximately \$14,344,000, an increase of approximately \$1,177,000 from last year's approximate \$13,167,000 ending fund balance. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- General Fund activities resulted in an approximate increase of \$459,000 from the prior year's \$2,102,000 ending fund balance.
- Mental Health fund balance decreased approximately \$91,000 from the prior year's \$104,000 ending fund balance.
- Rural Services ending fund balance for fiscal year 2020 was approximately \$576,000, which is a \$22,000 increase from the prior year's balance of approximately \$554,000.
- Secondary Roads ending fund balance increased by approximately \$689,000 for the year ending June 30, 2020. The prior year fund balance was approximately \$9,879,000 and increased to an approximate \$10,568,000 fund balance after completion of the 2020 year.
- Other Nonmajor Funds which include County Recorder Records Management, Conservation Land Acquisition Trust, Conservation Education, Resource Enhancement and Protection, County Rural Betterment Fund, Urban Renewal Tax Increment Financing (TIF), Drug Court Grant, County Attorney Recovery Fees, and Forfeited Property are classified as nonmajor special revenue funds. The combined activities of these funds resulted in an increase in fund balance of approximately \$98,000. The ending fund balance for 2020 was approximately \$626,000 compared to the prior year's ending fund balance of approximately \$528,000.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Cherokee County amended its budget once on January 21, 2020 by the County Board of Supervisors for the following reasons:

- Increased expenditures in County Environment by \$37,250 to allow for projects funded by additional REAP Funds, donated funds and Land Acquisition Funds received.
- Nonprogram Current expenditures and Miscellaneous Revenues were increased by \$165,000 for pass through funds related to an Anticipation Project Note for the Quimby FEMA Emergency Sewer Line 2019 Project.

## **CAPITAL ASSETS**

Cherokee County's Capital Assets activity for the year ended June 30, 2020, was as follows:

<b>Capital Assets of Governmental Activities at Year End</b>		
	June 30	
	<u>2020</u>	<u>2019</u>
Governmental activities:		
Capital assets not being depreciated:		
Land	\$ 1,368,347	\$ 1,268,347
Construction in progress	-	1,461,149
Total capital assets not being depreciated	<u>1,368,347</u>	<u>2,729,496</u>
Capital assets being depreciated/amortized:		
Buildings	5,905,731	5,905,731
Improvements other than buildings	101,817	9,750
Equipment and vehicles	9,291,148	8,889,125
Intangibles	44,304	44,304
Infrastructure, road network	<u>37,742,439</u>	<u>36,394,291</u>
Total capital assets being depreciated/amortized	<u>53,085,439</u>	<u>51,243,201</u>
Less accumulated depreciation/amortization for:		
Buildings	2,681,988	2,571,112
Improvements other than buildings	11,137	8,962
Equipment and vehicles	4,695,414	4,529,192
Intangibles	39,825	38,244
Infrastructure, road network	<u>15,039,634</u>	<u>13,957,538</u>
Total accumulated depreciation/amortization	<u>22,467,998</u>	<u>21,105,048</u>
Total capital assets being depreciated/amortized, net	<u>30,617,441</u>	<u>30,138,153</u>
Governmental activities capital assets, net	<u>\$ 31,985,788</u>	<u>\$ 32,867,649</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND LEVY RATES**

Cherokee County's department managers and elected officials considered many factors when setting the fiscal year 2021 budget, tax rates, and the fees that will be charged for various county services.

Continued concerns about potential funding cuts from the State in addition to standard cost of living increases for wages and benefits are the baseline for the Cherokee County Board of Supervisors' decision in setting tax rates for the 2021 fiscal year. Modest increases in taxable valuations and the desire to maintain sufficient ending fund balances were the basis for the Board's decision when determining levy rates and overall taxation of properties.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND LEVY RATES – (Continued)**

The fiscal year 2021 budget certified tax revenues, broken down by the major funds that Cherokee County receives are as follows:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
	<u>Dollars Certified</u>	<u>Dollars Certified</u>	<u>Dollars Certified</u>	<u>Dollars Certified</u>
General Fund	\$ 3,329,460	\$ 3,276,366	\$ 2,908,671	\$ 2,972,891
General Supplemental Fund	428,073	718,862	718,857	394,970
Mental Health Fund	393,609	242,357	307,488	348,253
Rural Basic Fund	<u>2,191,289</u>	<u>2,336,290</u>	<u>2,099,899</u>	<u>2,171,783</u>
Total Taxes Assessed	<u>\$ 6,342,431</u>	<u>\$ 6,573,875</u>	<u>\$ 6,034,915</u>	<u>\$ 5,887,897</u>

Levy Rates (based on \$/\$1,000 taxable valuation) for Cherokee County have been:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
	<u>Levy Rates</u>	<u>Levy Rates</u>	<u>Levy Rates</u>	<u>Levy Rates</u>
General Fund	\$ 3.50	\$3.50	\$3.50	\$3.50
General Supplemental Fund	.45	.76793	.865	.465
Mental Health Fund	.41377	.25890	.37	.41
Rural Basic Fund	3.15	3.45	3.50	3.50

Iowa Code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. A majority of Iowa Counties are at that limit and levy in the General Supplemental Fund which allows them to exceed the \$3.50 general basic levy for certain expenditures which include employee benefits (i.e. health insurance, FICA, and IPERS), county risk management expenditures, election costs, and court ordered settlements. The Rural Basic levy rate limit is \$3.95 per \$1,000 of taxable value. Each year, more counties are reaching that limit and are using the Rural Supplemental levy as allowed by Iowa law for expenditures such as employee benefits and aviation authority contributions.

Cherokee County's taxable valuations reflect an increase for fiscal year 2021:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
	<u>Valuations</u>	<u>Valuations</u>	<u>Valuations</u>	<u>Valuations</u>
Rural Taxable	\$ 725,417,761	\$ 702,844,827	\$ 628,406,489	\$ 651,337,450
Urban Taxable	<u>259,589,668</u>	<u>263,049,688</u>	<u>235,176,970</u>	<u>232,999,827</u>
Total Taxable Valuation	<u>\$ 985,007,429</u>	<u>\$ 965,894,515</u>	<u>\$ 863,583,459</u>	<u>\$ 884,337,277</u>

The County decreased levy rates for fiscal year 2020 that provided tax revenues which supported slight increases in budgetary expenses. Cherokee County experienced a slight increase in rural property valuations in 2020; however, most county departments held the line on expenditures and solid cash balances at fiscal year-end were the direct result. Steady property valuation growth is anticipated and should sustain expenditures of future budgets with minor fluctuations in levy rates.

The fiscal year 2021 budget projects a solid financial climate as the result of a slight property valuation increase, conservative budget increases, and sufficient fund balances. The General Basic Supplemental levy will be decreased by 32 cents, there will be a 15 cent levy increase for mental health services, and the rural levy will decrease by 30 cents in fiscal year 2021 as fund balances and valuation growth are sufficient to support minor increases in county expenditures. It is the desire of the County to maintain a fiscally sound fund balance to support critical services to local citizens.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND LEVY RATES – (Continued)**

Looking forward into future budget years, Cherokee County anticipates continued valuation growth and standard cost of living increases related to wages and benefits within county departmental budgets. The County has not achieved the levy cap in several funds and sees potential levy rate increases in the Rural Basic levy and continuation of the General Basic Supplemental levy to maintain a desired 25% ending fund balance if needed to fund mandated services. This 25% level of ending fund balance is needed to cover expenses incurred during the first quarter of the fiscal year, before revenues are received from property tax payments.

Cherokee County anticipates a positive financial future with property valuation increases expected for upcoming budgets; however, the County Board of Supervisors opts for a strategic plan that provides mandated services and modest increases in budgetary expenditures while maintaining a conservative attitude with tax levy rates.

## **CONTACTING CHEROKEE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Cherokee County's citizens, taxpayers, customers, and creditors with a general overview of Cherokee County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cherokee County Auditor's Office, 520 West Main, Cherokee, Iowa.

CHEROKEE COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2020

Exhibit A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 12,818,361
Receivables:	
Property tax:	
Delinquent	70,495
Succeeding year	6,280,553
Interest and penalty on property tax	23,410
Accounts	20,067
Accrued interest	8,596
Notes receivable	1,774,320
Due from other governments	786,633
Inventories	1,655,388
Prepaid expenses	325,962
Land	1,368,347
Infrastructure, property and equipment, net of accumulated depreciation/amortization	<u>30,617,441</u>
Total assets	<u>55,749,573</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related deferred outflows	<u>869,218</u>
<u>LIABILITIES</u>	
Accounts payable	1,097,169
Accrued interest payable	3,320
Due to other governments	5,506
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	255,000
Compensated absences	228,229
Portion due or payable after one year:	
General obligation bonds	1,516,000
Net pension liability	2,544,980
Net OPEB liability	<u>200,328</u>
Total liabilities	<u>5,850,532</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenues:	
Succeeding year property tax	6,280,553
Other	28,013
Pension related deferred inflows	<u>594,405</u>
Total deferred inflows of resources	<u>6,902,971</u>
<u>NET POSITION</u>	
Net investment in capital assets	31,985,788
Restricted for:	
Rural service purposes	440,814
Secondary roads purposes	9,699,779
Other purposes	625,889
Unrestricted	<u>1,113,018</u>
Total net position	<u>\$ 43,865,288</u>

See notes to financial statements.

CHEROKEE COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020

Exhibit B

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
	Expenses			
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 2,434,906	\$ 364,453	\$ 22,555	\$ -
Physical health and social services	329,958	10,326	107,695	-
Mental health	449,117	6,778	93,325	-
County environment and education	1,103,372	129,723	34,983	73,200
Roads and transportation	7,200,106	283,038	4,090,948	420,574
Governmental services to residents	580,032	302,204	19,984	-
Administration	1,450,048	37,264	-	-
Non-program	296,730	-	137,991	-
Total	<u>\$ 13,844,269</u>	<u>\$ 1,133,786</u>	<u>\$ 4,507,481</u>	<u>\$ 493,774</u>
General Revenues:				
Property and other county tax levied for:				
General purposes				6,464,501
Penalty and interest on property tax				15,424
State tax credits and replacements				417,284
Local option sales tax				575,589
Tax increment financing				184,397
Grants and contributions not restricted to specific purposes				71,902
Unrestricted investment earnings				181,838
Miscellaneous				21,496
Total general revenues				<u>7,932,431</u>
Change in net position				223,203
Net position beginning of year, as restated				<u>43,642,085</u>
Net position end of year				<u>\$ 43,865,288</u>

See notes to financial statements.



CHEROKEE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

Exhibit C

	<u>General</u>	<u>Special Revenue</u>			<u>Nonmajor</u>	<u>Total</u>
		<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>		
<u>ASSETS</u>						
Cash	\$ 2,327,501	\$ 8,612	\$ 492,819	\$ 9,204,281	\$ 601,182	\$ 12,634,395
Receivables:						
Accounts	19,585	-	175	308	-	20,068
Property tax:						
Delinquent	43,543	4,561	22,391	-	-	70,495
Succeeding year	3,629,355	380,182	2,116,606	-	154,410	6,280,553
Interest and penalty on property tax	23,410	-	-	-	-	23,410
Accrued interest	8,596	-	-	-	-	8,596
Due from other governments	81,033	-	68,630	613,266	23,703	786,632
Prepaid expense	202,631	1,570	2,210	87,312	6,920	300,643
Inventories	-	-	-	1,655,388	-	1,655,388
Total assets	<u>\$ 6,335,654</u>	<u>\$ 394,925</u>	<u>\$ 2,702,831</u>	<u>\$ 11,560,555</u>	<u>\$ 786,215</u>	<u>\$ 21,780,180</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 99,046	\$ -	\$ 375	\$ 991,832	\$ 5,916	\$ 1,097,169
Due to other governments	3,974	-	906	626	-	5,506
Total liabilities	<u>103,020</u>	<u>-</u>	<u>1,281</u>	<u>992,458</u>	<u>5,916</u>	<u>1,102,675</u>
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	3,629,355	380,182	2,116,606	-	154,410	6,280,553
Other	41,658	2,154	9,040	-	-	52,852
Total deferred inflows of resources	<u>3,671,013</u>	<u>382,336</u>	<u>2,125,646</u>	<u>-</u>	<u>154,410</u>	<u>6,333,405</u>
Fund balances:						
Nonspendable:						
Inventories	-	-	-	1,655,388	-	1,655,388
Prepays	202,631	1,570	2,210	87,312	6,920	300,643
Restricted for:						
Supplemental levy purposes	322,888	-	-	-	-	322,888
Mental health purposes	-	11,019	-	-	-	11,019
Rural services purposes	-	-	573,694	-	-	573,694
Secondary roads purposes	-	-	-	8,825,397	-	8,825,397
Other purposes	-	-	-	-	618,969	618,969
Unassigned	2,036,102	-	-	-	-	2,036,102
Total fund balances	<u>2,561,621</u>	<u>12,589</u>	<u>575,904</u>	<u>10,568,097</u>	<u>625,889</u>	<u>14,344,100</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,335,654</u>	<u>\$ 394,925</u>	<u>\$ 2,702,831</u>	<u>\$ 11,560,555</u>	<u>\$ 786,215</u>	<u>\$ 21,780,180</u>

See notes to financial statements.

CHEROKEE COUNTY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020

Exhibit D

Total governmental fund balances	\$ 14,344,100
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$54,453,786 and the accumulated depreciation/amortization is \$22,467,998.	31,985,788
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	52,852
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	181,272
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	869,218
Deferred inflows of resources	(594,405)
Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability, and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,973,537)</u>
Net position of governmental activities	<u>\$ 43,865,288</u>

See notes to financial statements.

CHEROKEE COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020

Exhibit E

		Special Revenue				
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:						
Property and other County tax	\$ 3,872,975	\$ 235,717	\$ 2,757,899	\$ -	\$ 328,294	\$ 7,194,885
Interest and penalty on property tax	15,424	-	-	-	-	15,424
Intergovernmental	526,045	110,899	110,000	4,340,524	10,276	5,097,744
Licenses and permits	7,360	-	4,006	119,174	-	130,540
Charges for services	414,645	-	1,600	3,410	2,469	422,124
Use of money and property	180,185	-	-	-	128	180,313
Miscellaneous	392,551	-	-	4,097	16,563	413,211
Total revenues	<u>5,409,185</u>	<u>346,616</u>	<u>2,873,505</u>	<u>4,467,205</u>	<u>357,730</u>	<u>13,454,241</u>
Expenditures:						
Operating:						
Public safety and legal services	1,970,505	-	290,177	-	10,130	2,270,812
Physical health and social services	317,416	-	-	-	1,500	318,916
Mental health	-	438,072	-	-	-	438,072
County environment and education	612,983	-	362,461	-	145,860	1,121,304
Roads and transportation	-	-	87,855	5,890,837	-	5,978,692
Governmental services to residents	517,579	-	-	-	-	517,579
Administration	1,187,925	-	-	-	65,574	1,253,499
Non-program	296,730	-	-	-	-	296,730
Capital projects	-	-	-	1,767	87,128	88,895
Total expenditures	<u>4,903,138</u>	<u>438,072</u>	<u>740,493</u>	<u>5,892,604</u>	<u>310,192</u>	<u>12,284,499</u>
Excess (deficiency) of revenues over expenditures	<u>506,047</u>	<u>(91,456)</u>	<u>2,133,012</u>	<u>(1,425,399)</u>	<u>47,538</u>	<u>1,169,742</u>
Other financing sources (uses):						
Sale of capital assets	3,260	-	-	3,644	-	6,904
Operating transfers in (out)	(50,000)	-	(2,111,170)	2,111,170	50,000	-
Total other financing sources (uses)	<u>(46,740)</u>	<u>-</u>	<u>(2,111,170)</u>	<u>2,114,814</u>	<u>50,000</u>	<u>6,904</u>
Net change in fund balances	459,307	(91,456)	21,842	689,415	97,538	1,176,646
Fund balances, beginning of year	<u>2,102,314</u>	<u>104,045</u>	<u>554,062</u>	<u>9,878,682</u>	<u>528,351</u>	<u>13,167,454</u>
Fund balances, end of year	<u>\$ 2,561,621</u>	<u>\$ 12,589</u>	<u>\$ 575,904</u>	<u>\$ 10,568,097</u>	<u>\$ 625,889</u>	<u>\$ 14,344,100</u>

See notes to financial statements.

CHEROKEE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020

Exhibit F

Net change in fund balances - Total governmental funds \$ 1,176,646

Amounts reported for governmental activities in the Statement of  
 Activities are different because:

Governmental funds report capital outlays as expenditures while  
 governmental activities report depreciation/amortization expense to allocate  
 those expenditures over the life of the assets. Capital outlay expenditures and  
 contributed capital assets exceeded depreciation/amortization expense in the  
 current year as follows:

Expenditures for capital assets	\$ 815,030	
Capital assets contributed by the Iowa Department of Transportation	188,857	
Depreciation/amortization expense	<u>(1,885,750)</u>	(881,863)

Because some revenues will not be collected for several months after the  
 County's year end, they are not considered available revenues and are  
 recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	28,120	
Other	<u>1,484</u>	29,604

The county employer share of IPERS contributions are reported as  
 expenditures in the governmental funds, but are reported as deferred  
 outflows of resources in the Statement of Net Position as follows:

Current year contributions	404,502
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Some expenses reported in the Statement of Activities do not require the  
 use of current financial resources and, therefore, are not reported as  
 expenditures in the governmental funds, as follows:

Compensated absences	50,531	
Pension expense	(542,060)	
Other postemployment benefits	<u>(4,946)</u>	(496,475)

The Internal Service Fund is used by management to charge the costs of the  
 partial self-funding of the County's health insurance benefit plan to individual  
 funds. The change in net position of the Internal Service Fund is reported with  
 governmental activities.

(9,211)

Change in net position of governmental activities	<u>\$ 223,203</u>
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See notes to financial statements.

CHEROKEE COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020

Exhibit G

Internal Service-  
Employee  
Group Health

ASSETS

Cash	\$ 183,966
Prepaid expense	<u>93,729</u>
Total assets	277,695

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	<u>96,423</u>
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NET POSITION

Unrestricted	<u>\$ 181,272</u>
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See notes to financial statements.

CHEROKEE COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020

Exhibit H

		<u>Internal Service- Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds	\$ 818,319	
Reimbursements from employees and others	<u>271,163</u>	\$ 1,089,482
Operating expenses:		
Medical Claims	57,844	
Insurance premiums	1,034,337	
Administrative fees	<u>8,752</u>	<u>1,100,933</u>
Operating loss		(11,451)
Non-operating revenues:		
Interest income		<u>2,240</u>
Net loss		(9,211)
Net position beginning of year		<u>190,483</u>
Net position end of year		<u>\$ 181,272</u>

See notes to financial statements.

CHEROKEE COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020

Exhibit I

	<u>Internal Service- Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 830,475
Cash received from employees and others	271,163
Cash payments to suppliers for services	<u>(1,116,623)</u>
Net cash used by operating activities	(14,985)
 Cash flows from investing activities:	
Interest on investments	<u>2,240</u>
 Net decrease in cash	(12,745)
 Cash at beginning of year	<u>196,711</u>
 Cash at end of year	<u><u>\$ 183,966</u></u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (11,451)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in deferred revenue	12,156
Decrease in accounts payable	(1,210)
Increase in prepaid expenses	<u>(14,480)</u>
Net cash used by operating activities	<u><u>\$ (14,985)</u></u>

See notes to financial statements.

CHEROKEE COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
JUNE 30, 2020

Exhibit J

ASSETS

Cash:

County Treasurer	\$ 1,392,089
Other County officials	11,780

Receivables:

Property tax:

Delinquent	200,074
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Succeeding year	15,381,041
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Accounts	2,838
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Prepays	73,475
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Due from other governments	49,541
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Special assessments	216,278
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Total assets	<u>17,327,116</u>
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LIABILITIES

Accounts payable	215
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Trusts payable	16,287
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Due to other governments	<u>1,023,322</u>
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Total liabilities	<u>1,039,824</u>
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DEFERRED INFLOWS OF RESOURCES

Unavailable revenues:

Succeeding year property tax	<u>15,597,319</u>
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NET POSITION

	<u>\$ 689,973</u>
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See notes to financial statements.



CHEROKEE COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
JUNE 30, 2020

Exhibit K

Additions:	
Property and other County tax	\$ 15,065,826
E911 surcharge	178,757
State tax credits	1,426,381
Office fees and collections	298,390
Auto licenses, use tax, and postage	4,814,534
Assessments	50,077
Trusts	100,004
Miscellaneous	176,012
Total additions	<u>22,109,981</u>
Deductions:	
Agency remittances:	
To other governments	22,016,631
Trusts paid out	<u>121,250</u>
Total deductions	<u>22,137,881</u>
Changes in net position	(27,900)
Net position beginning of year, as restated	<u>717,873</u>
Net position end of year	<u>\$ 689,973</u>

See notes to financial statements.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cherokee County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Cherokee County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County. The County has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Cherokee County Assessor's Conference Board, Cherokee County E911 Service Board, Plains Area Mental Health, Cherokee County Solid Waste Commission, and the Northwest Iowa Multi-county Regional Juvenile Detention Center. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship, if any, with the organization and, as such, are reported in the Custodial Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, transfers from the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Fiduciary Funds - Custodial Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers property tax revenues to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents, and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018, assessed property valuations; is for the tax accrual period July 1, 2019, through June 30, 2020; and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position - (Continued)

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles acquired after July 1, 1980, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Buildings	25,000
Equipment and vehicles	10,000
Intangibles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	10-100
Infrastructure	12-65
Equipment and vehicles	3-30
Intangibles	5-10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position - (Continued)

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on Cherokee County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable not collected within sixty days after year end and succeeding year property tax receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unrecognized items not yet charged to pension expense, contributions from external customers in the Employee Group Health Fund, and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws; or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position - (Continued)

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position - The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the roads and transportation function.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2020, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement Number 3.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$2,111,170
Conservation Land Acquisition	General	50,000
		<u>\$2,161,170</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,268,347	\$ 100,000	\$ -	\$ 1,368,347
Construction in progress	1,461,149	194,744	(1,655,893)	-
Total capital assets not being depreciated/amortized	<u>2,729,496</u>	<u>294,744</u>	<u>(1,655,893)</u>	<u>1,368,347</u>
Capital assets being depreciated/amortized:				
Buildings	5,905,731	-	-	5,905,731
Improvements other than buildings	9,750	92,067	-	101,817
Equipment and vehicles	8,889,125	831,949	(429,926)	9,291,148
Intangibles	44,304	-	-	44,304
Infrastructure, road network	36,394,291	1,348,148	-	37,742,439
Total capital assets being depreciated/amortized	<u>51,243,201</u>	<u>2,272,164</u>	<u>(429,926)</u>	<u>53,085,439</u>
Less accumulated depreciation/amortization for:				
Buildings	2,571,112	110,876	-	2,681,988
Improvements other than buildings	8,962	2,175	-	11,137
Equipment and vehicles	4,529,192	473,342	(307,120)	4,695,414
Intangibles	38,244	1,581	-	39,825
Infrastructure, road network	13,957,538	1,297,776	(215,680)	15,039,634
Total accumulated depreciation/amortization	<u>21,105,048</u>	<u>1,885,750</u>	<u>(522,800)</u>	<u>22,467,998</u>
Total capital assets being depreciated/amortized, net	<u>30,138,153</u>	<u>386,414</u>	<u>92,874</u>	<u>30,617,441</u>
Governmental activities capital assets, net	<u>\$ 32,867,649</u>	<u>\$ 681,158</u>	<u>\$ (1,563,019)</u>	<u>\$ 31,985,788</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 102,985
Physical health and social services	4,160
Mental health	3,274
County environment and education	30,413
Roads and transportation	1,662,686
Governmental services to residents	12,336
Administration	69,896
Total depreciation/amortization expense-governmental activities	<u>\$ 1,885,750</u>

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 3,974
Special Revenue:		
Secondary Roads		\$ 626
Rural Services		<u>906</u>
		<u>1,532</u>
Total for governmental funds		<u>\$ 5,506</u>
Custodial:		
Schools	Collections	\$ 289,784
Community Colleges		24,453
Corporations		140,493
Townships		9,528
Auto License and Use Tax		515,842
Agricultural Extension		6,402
All other		<u>36,820</u>
Total for custodial funds		<u>\$ 1,023,322</u>

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2020, is as follows:

	Balance, beginning <u>of year</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>end of year</u>	Due within <u>one year</u>
General obligation bonds	\$ 2,021,000	\$ -	\$ 250,000	\$ 1,771,000	\$ 255,000
Compensated absences	278,760	-	50,531	228,229	228,229
Net pension liability	2,712,264	-	167,284	2,544,980	-
Net OPEB liability	<u>195,382</u>	<u>4,946</u>	<u>-</u>	<u>200,328</u>	<u>-</u>
Total	<u>\$ 5,207,406</u>	<u>\$ 4,946</u>	<u>\$ 467,815</u>	<u>\$ 4,744,537</u>	<u>\$ 483,229</u>

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

6. LONG-TERM LIABILITIES – (Continued)

Notes Payable

In January 2017, the County issued \$1,740,000 and \$513,000 of general obligation refunding capital loan notes for the purpose of paying costs to refund the existing general obligation indebtedness of the County for the Landfill. The County has a separate agreement with the Landfill that requires the Landfill to make all principal and interest payments on these notes. As a result, there is a note receivable reflected on the County's statement of net position that is offset by a corresponding liability for the principal and interest payable on this debt.

The future payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	2.25%	\$ 255,000	\$ 38,419	\$ 293,419
2022	2.25%	262,000	32,648	294,648
2023	2.25%	268,000	26,719	294,719
2024	2.25%	273,000	20,655	293,655
2025	2.25%	281,000	14,468	295,468
2026-2027	2.25%	432,000	9,763	441,763
		<u>\$ 1,771,000</u>	<u>\$ 142,672</u>	<u>\$ 1,913,672</u>

7. PENSION AND RETIREMENT BENEFITS

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

7. PENSION AND RETIREMENT BENEFITS – (Continued)

Pension Benefits – (Continued)

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll and the County contributed 9.44 percent of covered payroll, for a total rate of 15.73 percent. The Sheriff, deputies and the County each contributed 9.51 percent of covered payroll, for a total rate of 19.02 percent. Protection occupation members contributed 6.61 percent of covered payroll and the County contributed 9.91 percent of covered payroll, for a total rate of 16.52 percent.

The County's contributions to IPERS for the year ended June 30, 2020 were \$404,502.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

7. PENSION AND RETIREMENT BENEFITS – (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the County reported a liability of \$2,544,980 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the County's proportion was .04395%, which was a increase of .00109% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$542,059. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,308	\$ 105,368
Changes of assumptions	339,400	65,780
Net difference between projected and actual earnings on IPERS' investments	-	373,794
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	111,008	49,463
County contributions subsequent to the measurement date	<u>404,502</u>	<u>-</u>
Total	<u>\$ 869,218</u>	<u>\$ 594,405</u>

\$404,502 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2021	\$ 58,012
2022	(94,902)
2023	(56,281)
2024	(41,068)
2025	<u>4,550</u>
	<u><u>\$ (129,689)</u></u>

There were no non-employer contributing entities to IPERS.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

7. PENSION AND RETIREMENT BENEFITS – (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60 percent per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 percent per annum, based on 2.60 percent inflation and .65 percent real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0 %	5.6 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	<u>3.0</u>	3.01
Total	<u>100</u> %	

Discount Rate – The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

7. PENSION AND RETIREMENT BENEFITS – (Continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate  
– The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate.

	1% Decrease <u>6.00%</u>	Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
County's proportionate share of the net pension liability:	\$5,053,063	\$2,544,980	\$441,570

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2020.

8. RISK MANAGEMENT

Cherokee County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses, and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2020, were \$130,725.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

8. RISK MANAGEMENT- (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and, excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2020, no liability has been recorded in the County's financial statements. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$100,000, respectively, except the amount of public official blanket bond coverage for the Sheriff, Treasurer, and Engineer is \$250,000, \$500,000, and \$150,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. EMPLOYEE HEALTH INSURANCE PLAN

Cherokee County entered into an administrative services agreement with Mid-American Benefits to administer the employee partial self-funded health plan. Monthly payments of service fees and plan contributions are recorded as expenditures in the operating funds at the time of payment to the Internal Service, Employee Partial Self-Funded Health Plan Fund maintained by the County Treasurer. Under the agreement, deductible and coinsurance expenses are processed by Mid-American Benefits with payments from the Internal Service, Employee Partial Self-Funded Health Plan Fund. The employer sponsors a group insurance policy which provides comprehensive hospital and medical coverage for eligible employees and, if elected, their spouses and dependents. Under the partial self-funded plan, the Plan will reimburse an eligible employee for a portion of the deductible and coinsurance expenses under the contract.



CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Cherokee County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>78</u>
Total	<u><u>79</u></u>

Total OPEB Liability – The County's total OPEB liability of \$200,328 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	3.00 percent per annum
Rates of salary increase (effective June 30, 2020)	2.00 percent per annum, including inflation.
Discount rate (effective June 30, 2020)	3.50 percent, compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	6.00 percent initial rate decreasing by 1.00 percent annually to an ultimate rate of 5.00 percent.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the 2016 United States Life Tables. Annual retirement probabilities are based on historical average retirement age for the covered group, active plan members were assumed to retire at age 63, or the first subsequent year in which the member would qualify for benefits.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

Changes in the Total OPEB Liability –

Total OPEB liability beginning of year	\$ 195,382
Changes for the year:	
Service cost	22,695
Interest	6,936
Differences between expected and actual experiences	(16,170)
Changes in assumptions	1,028
Benefit payments	(9,543)
Net changes	4,946
Total OPEB liability end of year	\$ 200,328

Changes in assumptions reflect a change in the discount rate from 3.58% to 3.50% from fiscal year 2019 to fiscal year 2020.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease <u>(2.50%)</u>	Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB liability	\$214,731	\$200,328	\$186,165

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.0%) or 1% higher (7.0%) than the current healthcare cost trend rates.

	1% Decrease <u>(5.0%)</u>	Healthcare Cost Trend Rate <u>(6.0%)</u>	1% Increase <u>(7.0%)</u>
Total OPEB liability	\$178,276	\$200,328	\$226,435

OPEB Expense – For the year ended June 30, 2020, the County recognized OPEB expense of \$4,946.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

11. INTERGOVERNMENTAL AGREEMENT

The County participates in an agreement with Cherokee County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and municipalities. Payments to that commission totaled \$272,260 during the year ended June 30, 2020.

State and federal laws and regulations require the Commission to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The total costs to the Commission have been estimated at \$3,528,382 as of June 30, 2020, and the portion of the liability that has been recognized is \$3,270,434. The Commission has begun to accumulate resources to fund these costs, and at June 30, 2020, deposits of \$944,440 are restricted for these purposes. The local government guaranty was used in prior years by the Commission to demonstrate financial assurance for post-closure care costs. The Commission obtained the local government guaranty from Cherokee County on June 10, 1997. No estimate has been made as to the effect of possible future assessments to the County.

12. DEVELOPMENT AGREEMENTS

The County has entered into development agreements to assist in urban renewal projects.

Under the first agreement, the County agreed to abate incremental taxes to be received by the County under Chapter 404 of the Code of Iowa from the developer in exchange for infrastructure improvements constructed by the developer as set forth in the urban revitalization plan over the ten-year period ended January, 2020. The amount to be abated each year was 75% of the incremental value. No bonds or notes were issued for this construction project.

Under the second agreement, the incremental taxes to be received by the County under Chapter 403.19 of the Code of Iowa from the developer were to be rebated, subject to annual appropriation, for a period of fifteen years ending in fiscal year 2024. The total amount that was to be rebated each year over the fifteen-year period under the development and rebate agreement was 75% of the property taxes calculated, not to exceed \$575,000. Currently \$507,302 has been accumulated for rebate under the original agreement, with \$265,493 paid to the developer and the remainder retained by the County. No bonds or notes were issued for this construction project. This agreement was revised on June 28, 2016 as a result of a new agreement entered into between the developer and the County, whereby the County will retain all Tax Increment Financing (TIF) payments currently being collected under the agreement until the time the existing urban renewal agreement expires or terminates. Currently \$248,641 has been accumulated for rebate under the revised agreement and is entirely retained by the County. In addition to the moneys retained from the TIF payments, the developer has agreed to pay the County \$1,000,000 in consideration for two roadway paving projects being considered by the County.

Under the third agreement, the incremental taxes to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated, subject to annual appropriation, for a period of ten years ending in fiscal year 2023. The total amount that will be rebated over the ten-year period under the development and rebate agreement is not to exceed \$415,750. The amount to be rebated each year will be 75% of the property taxes calculated. During the year ended June 30, 2020, the County rebated \$16,402 of incremental taxes to the developer. No bonds or notes were issued for this construction project.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

13. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements – The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2020, \$184,397 of property tax was diverted from the County under the urban renewal and economic development projects.

Tax Abatements of Other Entities – Property tax revenues of the County were not significantly reduced for the year ended June 30, 2020 under agreements entered into by other entities.

14. JUVENILE DETENTION CENTER

The County participates in Northwest Iowa Multi-county Regional Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to establish and maintain a juvenile detention facility and related services. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the cash basis and the transactions of the Center are not included in the financial statements of the County. The Center's activity for the fiscal year ending June 30, 2020, is summarized as follows:

Cash balance, beginning of year	\$ 32,391
Receipts	687,666
Disbursements	<u>665,680</u>
Cash balance, end of year	\$ <u>54,377</u>

The financial statements of the Center are available at the Center's administrative office in Cherokee, Iowa.

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

15. OPERATING LEASE

The County has three leases. The Auditor's office leases a postage machine and the Law Enforcement Center and County Attorney's office lease copy machines. Rental expense incurred for the leases was \$10,999 for the year ended June 30, 2020. Minimum amounts payable under these operating leases are as follows:

Year ending <u>June 30,</u>	Total Minimum <u>Lease Payments</u>
2021	\$ 10,999
2022	9,603
2023	8,868
2024	6,651

16. COMMITMENT

The County has entered into a construction contract totaling approximately \$917,000 for a roadway paving project. As of June 30, 2020, no costs have been incurred on the project. Contract costs will be paid as work on the project progresses from the State of Iowa Farm to Market Fund.

17. CHEROKEE COUNTY FINANCIAL INFORMATION INCLUDED IN THE ROLLING HILLS COMMUNITY SERVICE REGION

Rolling Hills Community Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Buena Vista, Calhoun, Carroll, Cherokee, Crawford, Ida, Sac, and Woodbury. Cherokee County joined this region effective January 1, 2015. A portion of the financial activity of Cherokee County's Special Revenue, Mental Health Fund is included in the Rolling Hills Community Services Region for the year end June 30, 2020 as follows:

Revenues:	
Property and other county tax	\$ 235,717
Intergovernmental revenues:	
Payments from regional fiscal agent	\$ 93,325
State tax credits	<u>17,574</u>
Total revenues	<u>346,616</u>
Expenditures:	
General administration:	
Direct administration	90,105
Distribution to regional fiscal agent	<u>347,967</u>
Total expenditures	<u>438,072</u>
Deficiency of revenues over expenditures	(91,456)
Fund balance at beginning of the year	<u>104,045</u>
Fund balance end of the year	<u>\$ 12,589</u>

CHEROKEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

18. CONTINGENCIES, RISKS, AND UNCERTAINTIES

There currently is a claim and lawsuit against the County seeking damages for various reasons. The outcome and eventual liability of the County, if any, from this is not known at this time. County officials believe the outcome of these matters will not have a material effect on the County's financial statements.

At year-end, economic activity in the United States continued to experience significant disruption resulting from uncertainty caused by the world-wide coronavirus pandemic. Cherokee County management is closely monitoring its operations, liquidity, and financial resources and is actively working to minimize the current and future impact of this unprecedented situation. Management has concluded that while it is reasonably possible there could be a material negative effect on the financial statements, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

19. ACCOUNTING CHANGE/RESTATEMENT

Beginning net position for governmental activities was restated to reflect a correction of capital assets.

	<u>Governmental Activities</u>
Net position, June 30, 2019 as previously stated	\$ 43,624,199
Correction of capital assets	<u>17,886</u>
Restated net position, June 30, 2019	<u>\$ 43,642,085</u>

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	<u>Fiduciary Activities</u>
Net position, June 30, 2019 as previously stated	\$ -
Change to implement GASBS No. 84	<u>717,873</u>
Restated net position, June 30, 2019	<u>\$ 717,873</u>

## REQUIRED SUPPLEMENTARY INFORMATION

CHEROKEE COUNTY  
BUDGETARY COMPARISON  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN BALANCES – BUDGET  
AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to</u> <u>Actual</u> <u>Variance</u>
		<u>Original</u>	<u>Final</u>	
Receipts:				
Property and other County tax	\$ 7,153,311	\$ 7,177,140	\$ 7,177,140	\$ (23,829)
Interest and penalty on property tax	13,133	15,350	15,350	(2,217)
Intergovernmental	4,760,311	4,158,560	4,158,560	601,751
Licenses and permits	129,832	68,100	68,100	61,732
Charges for service	442,456	374,282	374,282	68,174
Use of money and property	184,853	139,177	139,177	45,676
Miscellaneous	390,964	176,840	341,840	49,124
Total receipts	<u>13,074,860</u>	<u>12,109,449</u>	<u>12,274,449</u>	<u>800,411</u>
Disbursements:				
Public safety and legal services	2,279,677	2,615,973	2,615,973	336,296
Physical health and social services	307,508	392,615	392,615	85,107
Mental health	439,642	441,292	441,292	1,650
County environment and education	1,104,074	1,108,022	1,145,272	41,198
Roads and transportation	5,814,058	5,513,828	5,513,828	(300,230)
Governmental services to residents	514,826	623,400	623,400	108,574
Administration	1,335,680	1,590,725	1,590,725	255,045
Nonprogram current	256,015	100,000	265,000	8,985
Capital projects	88,945	2,810,000	2,810,000	2,721,055
Total disbursements	<u>12,140,425</u>	<u>15,195,855</u>	<u>15,398,105</u>	<u>3,257,680</u>
Excess (deficiency) of receipts over disbursements	934,435	(3,086,406)	(3,123,656)	4,058,091
Other financing sources, net	<u>6,904</u>	<u>2,050</u>	<u>2,050</u>	<u>4,854</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	941,339	(3,084,356)	(3,121,606)	4,062,945
Balance beginning of year	<u>11,693,056</u>	<u>9,508,258</u>	<u>11,693,056</u>	<u>-</u>
Balance end of year	<u>\$ 12,634,395</u>	<u>\$ 6,423,902</u>	<u>\$ 8,571,450</u>	<u>\$ 4,062,945</u>



CHEROKEE COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET  
TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$ 13,074,860	\$ 379,381	\$ 13,454,241
Expenditures	<u>12,140,425</u>	<u>144,074</u>	<u>12,284,499</u>
Net	934,435	235,307	1,169,742
Other financing sources, net	6,904	-	6,904
Beginning fund balances	<u>11,693,056</u>	<u>1,474,398</u>	<u>13,167,454</u>
Ending fund balances	<u>\$ 12,634,395</u>	<u>\$ 1,709,705</u>	<u>\$ 14,344,100</u>

See Accompanying Independent Auditors' Report

CHEROKEE COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2020

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund, and Custodial Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$202,250. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Assessor by the County Conference Board; for the E911 System by the Joint E911 Service Board; and for Emergency Management Services by the Cherokee County Emergency Management Commission.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the roads and transportation function.

CHEROKEE COUNTY  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS\*  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's collective proportion of the net pension liability (asset)	0.043950%	0.042860%	0.044278%	0.046303%	0.044455%	0.043472%
County's collective proportionate share of the net pension liability (asset)	\$2,544,980	\$2,712,264	\$2,949,465	\$2,914,015	\$2,196,290	\$1,724,075
County's covered-employee payroll	\$4,096,939	\$3,889,208	\$3,698,805	\$3,740,039	\$3,558,014	\$3,481,271
County's collective proportionate share of the net pension liability as a percentage of it covered-employee payroll	62.12%	69.74%	79.74%	77.91%	61.73%	49.52%
Plan fiduriary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

See Accompanying Independent Auditors' Report

CHEROKEE COUNTY  
SCHEDULE OF COUNTY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TEN FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 404,502	\$ 389,986	\$ 351,425	\$ 334,550	\$ 339,464	\$ 323,240	\$ 316,506	\$ 306,474	\$ 262,120	\$ 217,331
Contributions in relation to the statutorily required contributions	<u>(404,502)</u>	<u>(389,986)</u>	<u>(351,425)</u>	<u>(334,550)</u>	<u>(339,464)</u>	<u>(323,240)</u>	<u>(316,506)</u>	<u>(306,474)</u>	<u>(262,120)</u>	<u>(217,331)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$4,270,144	\$4,096,939	\$3,889,208	\$3,698,805	\$3,740,039	\$3,558,014	\$3,481,271	\$3,453,765	\$3,144,965	\$3,003,371
Contributions as a percentage of covered-employee payroll	9.47%	9.52%	9.04%	9.04%	9.08%	9.08%	9.09%	8.87%	8.33%	7.24%

See Accompanying Independent Auditors' Report

CHEROKEE COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2020

**Changes of Benefit Terms**

There are no significant changes in benefit terms.

**Changes of Assumptions**

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the discount rate from 7.50 percent to 7.00 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year
- Adjusted male mortality rates for retirees in the Regular membership group
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64
- Moved from an open 30-year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

CHEROKEE COUNTY  
SCHEDULE OF CHANGES IN THE COUNTY'S  
TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES  
FOR THE LAST THREE YEARS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 22,695	\$ 19,525	\$ 19,142
Interest cost	6,936	7,060	6,997
Differences between expected and actual experiences	(16,170)	-	(13,660)
Changes in assumptions	1,028	-	24,030
Benefit payments	<u>(9,543)</u>	<u>(17,793)</u>	<u>(31,686)</u>
Net change in total OPEB liability	4,946	8,792	4,823
Total OPEB liability beginning of year	<u>195,382</u>	<u>186,590</u>	<u>181,767</u>
Total OPEB liability end of year	<u>\$ 200,328</u>	<u>\$ 195,382</u>	<u>\$ 186,590</u>
Covered-employee payroll	\$ 3,801,523	\$ 3,536,074	\$ 3,466,739
Total OPEB liability as a percentage of covered-employee payroll	5.27%	5.53%	5.38%

**Notes to Schedule of Changes in County's Total OPEB Liability and Related Ratios**

**Changes of Benefit Terms**

There were no significant changes in benefit terms.

**Changes of Assumptions**

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

## SUPPLEMENTARY INFORMATION

CHEROKEE COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020

Schedule 1

	Special Revenue									
	Resource Enhancement and <u>Protection</u>	County Recorder's Records <u>Management</u>	County Rural <u>Betterment</u>	Forfeited <u>Property</u>	Urban Renewal Tax <u>Increment</u>	Conservation <u>Education</u>	Conservation Land <u>Acquisition</u>	Drug Court <u>Grant</u>	County Attorney Recovery <u>Fees</u>	<u>Total</u>
<u>ASSETS</u>										
Cash	\$ 15,555	\$ 7,594	\$ 34,281	\$ 1,924	\$ 406,761	\$ 12,493	\$ 14,861	\$ 53,304	\$ 54,409	\$ 601,182
Receivables:										
Property tax:										
Succeeding year	-	-	-	-	154,410	-	-	-	-	154,410
Due from other governments	-	255	22,876	-	-	-	-	-	572	23,703
Prepaid expense	-	-	-	-	-	-	-	-	6,920	6,920
Total assets	<u>\$ 15,555</u>	<u>\$ 7,849</u>	<u>\$ 57,157</u>	<u>\$ 1,924</u>	<u>\$ 561,171</u>	<u>\$ 12,493</u>	<u>\$ 14,861</u>	<u>\$ 53,304</u>	<u>\$ 61,901</u>	<u>\$ 786,215</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,440	\$ 840	\$ 1,406	\$ -	\$ 230	\$ 5,916
Deferred inflows of resources:										
Unavailable revenues	-	-	-	-	154,410	-	-	-	-	154,410
Fund balances:										
Nonspendable:										
Prepays	-	-	-	-	-	-	-	-	6,920	6,920
Restricted	15,555	7,849	57,157	1,924	403,321	11,653	13,455	53,304	54,751	618,969
Total fund balances	<u>15,555</u>	<u>7,849</u>	<u>57,157</u>	<u>1,924</u>	<u>403,321</u>	<u>11,653</u>	<u>13,455</u>	<u>53,304</u>	<u>61,671</u>	<u>625,889</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,555</u>	<u>\$ 7,849</u>	<u>\$ 57,157</u>	<u>\$ 1,924</u>	<u>\$ 561,171</u>	<u>\$ 12,493</u>	<u>\$ 14,861</u>	<u>\$ 53,304</u>	<u>\$ 61,901</u>	<u>\$ 786,215</u>

See Accompanying Independent Auditors' Report



CHEROKEE COUNTY  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020

Schedule 2

	Special Revenue									
	Resource Enhancement and Protection	County Recorder's Records Management	County Rural Betterment	Forfeited Property	Urban Renewal Tax Increment	Conservation Education	Conservation Land Acquisition	Drug Court Grant	County Attorney Recovery Fees	Total
Revenues:										
Property and other County tax	\$ -	\$ -	\$ 143,897	\$ -	\$ 184,397	\$ -	\$ -	\$ -	\$ -	\$ 328,294
Intergovernmental	10,276	-	-	-	-	-	-	-	-	10,276
Charges for service	-	2,469	-	-	-	-	-	-	-	2,469
Use of money and property	76	52	-	-	-	-	-	-	-	128
Miscellaneous	-	-	-	-	-	6,529	-	-	10,034	16,563
Total revenues	<u>10,352</u>	<u>2,521</u>	<u>143,897</u>	<u>-</u>	<u>184,397</u>	<u>6,529</u>	<u>-</u>	<u>-</u>	<u>10,034</u>	<u>357,730</u>
Expenditures:										
Operating:										
Public safety and legal services	-	-	-	800	-	-	-	-	9,330	10,130
Physical health and social services	-	-	1,500	-	-	-	-	-	-	1,500
County environment and education	-	-	80,000	-	-	4,217	61,643	-	-	145,860
Administration	-	-	49,172	-	16,402	-	-	-	-	65,574
Capital projects	-	-	-	-	87,128	-	-	-	-	87,128
Total expenditures	<u>-</u>	<u>-</u>	<u>130,672</u>	<u>800</u>	<u>103,530</u>	<u>4,217</u>	<u>61,643</u>	<u>-</u>	<u>9,330</u>	<u>310,192</u>
Excess (deficiency) of revenues over expenditures	10,352	2,521	13,225	(800)	80,867	2,312	(61,643)	-	704	47,538
Other financing sources:										
Operating transfers in	-	-	-	-	-	-	50,000	-	-	50,000
Excess (deficiency) of revenues and other financing sources over expenditures	10,352	2,521	13,225	(800)	80,867	2,312	(11,643)	-	704	97,538
Fund balances beginning of year	<u>5,203</u>	<u>5,328</u>	<u>43,932</u>	<u>2,724</u>	<u>322,454</u>	<u>9,341</u>	<u>25,098</u>	<u>53,304</u>	<u>60,967</u>	<u>528,351</u>
Fund balances end of year	<u>\$ 15,555</u>	<u>\$ 7,849</u>	<u>\$ 57,157</u>	<u>\$ 1,924</u>	<u>\$ 403,321</u>	<u>\$ 11,653</u>	<u>\$ 13,455</u>	<u>\$ 53,304</u>	<u>\$ 61,671</u>	<u>\$ 625,889</u>

See Accompanying Independent Auditors' Report

CHEROKEE COUNTY  
COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
JUNE 30, 2020

Schedule 3

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash:										
County Treasurer	\$ -	\$ 3,727	\$ 146,515	\$ 168,399	\$ 14,039	\$ 83,948	\$ 5,372	\$ 515,842	\$ 454,247	\$ 1,392,089
Other County officials	11,780	-	-	-	-	-	-	-	-	11,780
Receivables:										
Property tax:										
Delinquent	-	2,675	4,869	121,385	10,414	56,545	4,156	-	30	200,074
Succeeding year	-	222,943	405,771	9,941,657	877,656	3,558,432	372,101	-	2,481	15,381,041
Accounts	-	-	733	-	-	-	-	-	2,105	2,838
Prepays	-	-	15,131	-	-	-	-	-	58,344	73,475
Due from other governments	-	-	-	-	-	-	-	-	49,541	49,541
Special assessments	-	-	-	-	-	-	-	-	216,278	216,278
Total assets	<u>11,780</u>	<u>229,345</u>	<u>573,019</u>	<u>10,231,441</u>	<u>902,109</u>	<u>3,698,925</u>	<u>381,629</u>	<u>515,842</u>	<u>783,026</u>	<u>17,327,116</u>
<u>LIABILITIES</u>										
Accounts payable	-	-	60	-	-	-	-	-	155	215
Trusts payable	1,164	-	-	-	-	-	-	-	15,123	16,287
Due to other governments	<u>10,616</u>	<u>6,402</u>	<u>-</u>	<u>289,784</u>	<u>24,453</u>	<u>140,493</u>	<u>9,528</u>	<u>515,842</u>	<u>26,204</u>	<u>1,023,322</u>
Total liabilities	<u>11,780</u>	<u>6,402</u>	<u>60</u>	<u>289,784</u>	<u>24,453</u>	<u>140,493</u>	<u>9,528</u>	<u>515,842</u>	<u>41,482</u>	<u>1,039,824</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>										
Unavailable revenues	<u>-</u>	<u>222,943</u>	<u>405,771</u>	<u>9,941,657</u>	<u>877,656</u>	<u>3,558,432</u>	<u>372,101</u>	<u>-</u>	<u>218,759</u>	<u>15,597,319</u>
<u>NET POSITION</u>										
Restricted for individuals, organizations and other governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,785</u>	<u>\$ 689,973</u>

See Accompanying Independent Auditors' Report

CHEROKEE COUNTY  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
YEAR ENDED JUNE 30, 2020

Schedule 4

	<u>County Offices</u>	<u>Agricultural Extension</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
Additions:										
Property and other County tax	\$ -	\$ 225,465	\$ 219,265	\$ 9,919,458	\$ 855,877	\$ 3,459,248	\$ 383,883	\$ -	\$ 2,630	\$ 15,065,826
E911 surcharge	-	-	-	-	-	-	-	-	178,757	178,757
State tax credits	-	16,797	16,163	775,647	63,043	536,297	18,328	-	106	1,426,381
Office fees and collections	276,587	-	3,532	-	-	-	-	-	18,271	298,390
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	4,814,534	-	4,814,534
Assessments	-	-	-	-	-	-	-	-	50,077	50,077
Trusts	-	-	-	-	-	-	-	-	100,004	100,004
Miscellaneous	-	-	-	-	-	-	-	-	176,012	176,012
Total additions	<u>276,587</u>	<u>242,262</u>	<u>238,960</u>	<u>10,695,105</u>	<u>918,920</u>	<u>3,995,545</u>	<u>402,211</u>	<u>4,814,534</u>	<u>525,857</u>	<u>22,109,981</u>
Deductions:										
Agency remittances:										
To other governments	173,608	242,262	333,644	10,695,105	918,920	3,995,545	402,211	4,814,534	440,802	22,016,631
Trusts paid out	102,979	-	-	-	-	-	-	-	18,271	121,250
Total deductions	<u>276,587</u>	<u>242,262</u>	<u>333,644</u>	<u>10,695,105</u>	<u>918,920</u>	<u>3,995,545</u>	<u>402,211</u>	<u>4,814,534</u>	<u>459,073</u>	<u>22,137,881</u>
Changes in net position	-	-	(94,684)	-	-	-	-	-	66,784	(27,900)
Net position beginning of year, as restated	<u>-</u>	<u>-</u>	<u>261,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456,001</u>	<u>717,873</u>
Net position end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,785</u>	<u>\$ 689,973</u>

See Accompanying Independent Auditors' Report

CHEROKEE COUNTY  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

Schedule 5

	Modified Accrual Basis									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:										
Property and other County tax	\$ 7,194,885	\$ 6,639,467	\$ 6,499,158	\$ 6,453,387	\$ 6,375,840	\$ 6,241,729	\$ 6,037,785	\$ 5,392,024	\$ 5,617,625	\$ 5,184,468
Interest and penalty on property tax	15,424	33,176	29,001	33,335	26,137	31,602	31,300	24,408	30,529	29,060
Intergovernmental	5,097,744	4,816,733	4,572,253	4,682,384	5,641,237	5,384,619	5,233,966	3,800,183	4,025,531	4,211,620
Licenses and permits	130,540	162,830	85,602	87,465	70,849	70,650	40,560	78,165	104,926	66,829
Charges for service	422,124	397,615	415,711	406,845	397,771	340,483	382,186	344,155	331,022	275,541
Use of money and property	180,313	177,173	115,821	83,209	72,981	60,734	53,338	64,582	77,019	93,411
Miscellaneous	413,211	206,950	266,736	519,184	185,289	158,108	242,077	263,958	155,630	155,253
Total	<u>\$ 13,454,241</u>	<u>\$ 12,433,944</u>	<u>\$ 11,984,282</u>	<u>\$ 12,265,809</u>	<u>\$ 12,770,104</u>	<u>\$ 12,287,925</u>	<u>\$ 12,021,212</u>	<u>\$ 9,967,475</u>	<u>\$ 10,342,282</u>	<u>\$ 10,016,182</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 2,270,812	\$ 2,282,664	\$ 2,328,568	\$ 2,075,665	\$ 2,006,589	\$ 2,009,740	\$ 2,073,475	\$ 1,906,297	\$ 1,635,097	\$ 1,626,862
Physical health and social services	318,916	282,692	347,144	329,802	330,261	281,905	290,508	294,137	271,496	319,837
Mental health	438,072	365,204	460,845	459,850	517,214	641,603	439,342	593,479	1,461,138	1,188,984
County environment and education	1,121,304	1,062,355	999,762	995,535	922,793	936,250	910,339	1,170,097	751,928	664,222
Roads and transportation	5,978,692	6,333,221	4,303,230	4,316,530	3,854,971	3,917,789	3,889,648	3,462,004	3,613,525	3,455,983
Governmental services to residents	517,579	503,715	507,489	464,817	435,792	375,110	492,777	532,873	400,032	300,111
Administration	1,253,499	1,297,591	1,364,704	1,322,374	1,143,361	1,235,264	1,150,066	1,436,573	1,425,471	1,514,140
Non-program	296,730	69,862	105,152	378,289	37,014	-	-	-	-	-
Capital projects	88,895	23,963	946,579	2,119,832	2,163,726	1,168,383	1,469,774	514,486	494,413	133,608
Total	<u>\$ 12,284,499</u>	<u>\$ 12,221,267</u>	<u>\$ 11,363,473</u>	<u>\$ 12,462,694</u>	<u>\$ 11,411,721</u>	<u>\$ 10,566,044</u>	<u>\$ 10,715,929</u>	<u>\$ 9,909,946</u>	<u>\$ 10,053,100</u>	<u>\$ 9,203,747</u>

See Accompanying Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Officials of Cherokee County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherokee County, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 19, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cherokee County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cherokee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cherokee County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cherokee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2020, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Cherokee County's Responses to Findings**

Cherokee County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Cherokee County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winther, Stave & Co., LLP

January 19, 2021  
Spencer, Iowa

CHEROKEE COUNTY  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2020

**Part I: Findings Related to the Financial Statements**

**Internal Control Deficiencies:**

**I-A-20    Segregation of Duties**

Criteria - Management is responsible for establishing and maintaining internal control. Proper controls over financial reporting include adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition - A concentration of closely related duties and responsibilities, such as the recording and processing of cash receipts and disbursements, voiding transactions, reconciliation of bank accounts, preparing journal entries for posting, analyzing financial information, and reporting financial information, exists in most county offices.

Cause - Most County offices have limited number of employees and certain procedures have not been designed to adequately segregate duties or provide countering controls through additional oversight of transactions and processes.

Effect - This concentration with a limited number of employees makes it difficult to establish an adequate system of internal checks on the accuracy and reliability of the accounting records. The condition could also adversely affect the County's ability to prevent or detect and correct misstatements, errors, or misappropriation that may be material to the financial statements on a timely manner by employees in the normal course of performing assigned functions.

Recommendation - While we do recognize that the County is not large enough to allow for adequate segregation of duties for an effective internal control, we believe that it is important the Board be aware that this condition does exist. Each department head should review the operating procedures of their office to obtain the best segregation of duties as possible under the circumstances. The department head should utilize current employees to provide internal checks through review of financial transactions, voids, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - A departmental meeting will be conducted for all county management to discuss the importance of providing internal checks on all financial documents and operating processes including review and notation by initials or signatures of multiple staff members including dates of verification.

Conclusion - Response accepted.

**Instances of Non-Compliance:**

No matters were noted.

CHEROKEE COUNTY  
SCHEDULE OF FINDINGS - Continued  
YEAR ENDED JUNE 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting**

II-A-20 Certified Budget - Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the roads and transportation function.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget when required.

Conclusion - Response accepted.

II-B-20 Questionable Disbursements - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-20 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-20 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jeff Holmes, Secondary Roads employee, son Tim Holmes owns Holmes Mowing	Mowing	\$ 525
Barb Staver, Sheriff's Department employee, husband Chris Staver owns High Country Auto	Services	\$ 190
Larry Walker, Secondary Roads employee	Land purchase (in part)	\$ 13,400

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions for mowing and services do not appear to be a conflict of interest since total transactions were \$6,000 or less during the fiscal year. The land purchase was made under a real estate contract. However, the purchase may represent a conflict of interest since the purchase price, prior to reductions for seller donations and grant disbursements, was not based upon an appraisal of the real estate value.

Recommendation - Transactions with related parties over \$6,000 should be supported by adequate independent valuation methods such as bids or appraisals to avoid possible conflict of interest.

Response - We will require independent valuation methods for related party transactions over \$6,000.

Conclusion - Response accepted.



CHEROKEE COUNTY  
SCHEDULE OF FINDINGS - Continued  
YEAR ENDED JUNE 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

- II-E-20 Restricted Donor Activity - No transactions were noted between the County, County officials, County employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-G-20 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-20 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-I-20 Resource Enhancement and Protection Certification - The County dedicated property tax revenue to conservation purposes sufficient to meet the requirements of Chapter 455 A.19(1)(b) of the Code of Iowa in order to receive additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-J-20 Annual Urban Renewal Report - The annual urban renewal report (AURR) was properly approved and certified to the Iowa Department of Management on or before December 1. Cash balances from tax increment financing (TIF) revenues consist entirely of cash balances for future use or rebate to a developer under the terms of a developer agreement. The County currently reports the TIF Special Revenue Fund Cash Balance on its AURR as \$-0- to indicate the County cash on a net basis after amounts subject to the developer agreement requirements.

Recommendation - We recommend the County consider whether to report its cash balance and amounts due under the developer agreement separately on the AURR.

Response - We will consider whether an adjustment of our process for completing the AURR is needed.

Conclusion - Response accepted.